

IDEA Corporation

IDEA is an Ontario Crown corporation, reporting to the Minister of Industry and Trade, and funded by the Board of Industrial Leadership and Development (BILD).

In order to fulfill its mandate to encourage and finance the commercial development of technological innovation, IDEA has created four business operations:

Pre-venture capital—IDEA provides equity capital to early-stage research projects, helping them to develop to the point where other investors may participate.

Venture capital—IDEA participates with other investors in syndicated pools of venture capital, focusing on technological innovations at more mature stages of development.

Technology transfer and licensing—As a complement to its investment activities, IDEA acts as a broker, by arranging licences for new product and process developments.

Public education and policy advice—IDEA contributes to enhanced public understanding and policy development by reporting on issues related to technological innovation.

Chairman's Overview

Canada's economic emphasis is gradually shifting from exploitation of natural resources to cultivation of human resources. We are now recognizing that intellectual capital is our most precious resource—that new wealth will spring from the stimulation and application of new ideas.

The need for IDEA: investing in innovation

But encouraging new ideas, and building commercial successes from them, is no easy task. Canada is a nation of entrepreneurs in search of funding and researchers striving to develop new products and processes for commercial use. It also is a nation of investors grappling with the risks of financing young, technology-based firms with virtually no track record.

Recognizing the need to help to commercialize technological innovations in Ontario, the provincial government created IDEA Corporation to search out new ideas, assist in their commercial development and work toward economic growth and job creation over the long term.

Linking innovation with industry: IDEA's key businesses

IDEA is an investor, licensing broker and public policy advisor—roles that are distinct, yet complementary. Our active involvement in financing and commercializing new technologies helps us better observe the innovation process so that we can make appropriate recommendations to improve the overall regulatory climate for commercial innovation.

Since early 1983, when active operations began, IDEA has sought out investment and licensing opportunities among Ontario's researchers, inventors, small businesses and entrepreneurs. We have been careful and thorough in our investment selection process, to ensure prudent management of the funds allocated to us.

Our aim is to contribute to an environment in which there can be increased investment in technological innovation, and more mechanisms to transfer technology from innovators to industry. As that occurs, we expect the stimulation of further innovation and the creation of more young, technology-based companies in Ontario. This already has been demonstrated in the United States, where favorable capital markets have had a dramatic

effect as a stimulus to innovation and technological development.

Capital stimulation is only one of the many goals to be met, however, in developing an enhanced technological base in Ontario. We believe it is imperative, for instance, that access to university research by external investors be improved. Appropriate policies must be in place to encourage investment in new technology-based companies; and we need to encourage those venture capitalists who can accommodate the risks and managerial burdens of investments in early-stage research.

Conclusion

In accordance with the IDEA Corporation Act, I am pleased to report to the Minister of Industry and Trade, on behalf of the Board of Directors, that IDEA Corporation has been actively pursuing the objects of its mandate. We have built our staff, started the investment and licensing process, and identified the niches that are appropriate for IDEA as an investor and licensing broker.

Given the key role that Ontario's innovators will play in the province's future economic and employment prosperity, we strongly recommend that IDEA Corporation continue to pursue its important mission of encouraging and financing the development of new technologies and technical entrepreneurs.

"Today, new wealth comes from new ideas."



H. Ian Macdonald

*H. Ian Macdonald
Chairman of the Board*

Review of Operations

Our goal is to search out and help commercialize, through equity investment and licensing arrangements, scientific and technological innovations that will benefit industry, create new business opportunities and enhance employment in Ontario.

IDEA's strategy: four key businesses

In our last annual report, we outlined four key "businesses" of IDEA Corporation to accomplish this goal. These included investment in emerging technologies at early stages of the development process; participation in large, syndicated pools of venture capital; technology brokerage and licensing; and public policy advice and education.

Investment proposals: detailed reviews

Given our objective to be self-financing within six years, the investment review process has been

rigorous: only those projects with superior potential in terms of technical merit, commercial application, job creation and financial return have been selected for investment.

Since the beginning of IDEA's business operations in early 1983, our staff has examined nearly 1,000 investment proposals. Of these, close to 500 have appeared to fall within our mandate and have been reviewed by our staff. IDEA has now invested in, or put forward conditional offers on, 20 of these technological innovations, and has helped many more obtain the advice they need to improve the strength of their business plans. Because of these efforts, many proposals that were originally presented to IDEA have attracted equity capital from private investors. In addition, we now have a significant "inventory" of available technology-based investments to offer to associated venture capital funds.

IDEA's ratio of investments to proposals is in line with venture capital industry experience. Typically, the venture capitalist will invest in approximately 2% of proposals received.

Pre-venture capital for emerging technologies

As reported last year, IDEA's business plan emphasizes involvement from the earliest stages of the innovation development process. For selected research projects, investments are made through the IDEA Research Investment Fund. For better-developed projects, investments are made through the IDEA Innovation Fund. We analyze new projects for these funds, help them develop to a sufficiently commercial stage, then offer them to investment syndications, in which IDEA participates, where continued development of the projects can be financed.

Through the IDEA Research Investment Fund, a pre-venture capital fund, we finance the three to five years of development (including prototypes, patenting and market testing) required by emerging technologies, and then prepare the developed concepts as investment opportunities for the investment community.

The returns we earn from the sale or licensing of our early-stage investments will then be re-invested in yet more early-stage developments. By doing so, we are creating a revolving fund of risk capital for commercially significant research, feeding investment opportunities to the syndicated funds and other private-sector investors.

Initial investments in these projects are often relatively small, with the possibility of additional commitments in the future as the

"IDEA's four key businesses are helping to establish successful partnerships between innovators, investors and industry."

projects progress. These can occur if successful milestones are reached in such areas as design, testing, prototype development, patent application and business/marketing strategy.

Since our last annual report, of the proposals approved for investment, we have completed new initial commitments of \$2.1 million to eight such emerging technologies, including:

■ **General Communion Inc. (GCI)**—Olev Trass, a University of Toronto professor, is one of the founders of General Communion, a company established to develop a patented grinding mill that is novel in design and capabilities. Unlike conventional mills, it can grind wet, dry or paste materials, can handle higher capacity and is energy-efficient. IDEA has made a \$30,000 loan to GCI, and has negotiated rights to future equity financing. The University of Toronto's Innovations Foundation is an investor in GCI.

■ **Genuine Plastic Products Limited**—This Scarborough-based company has developed a new injection-moulded caulking device for use in residential and industrial construction. IDEA has committed up to \$200,000, in a staged investment, to Genuine Plastics, with the first round of financing being used to start the company, manufacture a prototype, patent the product and obtain initial orders.

■ **Lakehead University**—Edna Wallhead, a professor at Thunder Bay's Lakehead University, has invented a new surgical device with worldwide market potential. IDEA has committed up to \$25,000 to produce a prototype, conduct a market study, apply for a patent and initiate licensing arrangements.

■ **Ligna Technologies Ltd.**—IDEA has committed \$9,875 to Ligna as a preliminary step in the commercialization of an innovation, in the paper recycling industry, developed by Dr. John Balatinecz, a professor in the University of Toronto's faculty of forestry.

■ **MSC**—IDEA has invested \$175,000 in seed capital to help launch this new integrated circuit (IC) manufacturing company in Ottawa. The initial capital is being used to consolidate a management team and negotiate joint ventures with major companies that will provide the capital, technology and market necessary for the company's production of ICs.

■ **Neo-Visuals Inc.**—Steven White formed this Willowdale-based 3-D graphic-image software company one year ago. IDEA's financial assistance of \$36,000 will be used for further development of Neo-Visuals' sophisticated 3-D image programs.

■ **Robinsky & Laing**—Eli Robinsky and David Laing, who are affiliated with the University of Toronto, have developed patented filtration thickening equipment with application in the mining and chemical industries. IDEA has committed up to \$750,000, in a staged investment, to this project.

■ **Toronto Medical Corp.**—John Saringer formed this company to manufacture orthopaedic devices that aid the healing of human joints following surgery. The basic concept, referred to as "Continuous Passive Motion," was developed by world-renowned orthopaedic surgeon, Dr. Robert Salter, at the Hospital for Sick Children. Through Toronto Medical, this concept has been commercialized by Saringer. IDEA has invested \$480,000 in Toronto Medical to expand the company's R&D, manufacturing and marketing capabilities.

As stated earlier, these investments may well lead to further commitments of funds as the products and businesses develop.

In our last annual review, we reported the following investment commitments to early-stage technological developments:

■ **Queen's University**—An \$800,000 commitment to the Cardionatrion research project led by Dr. Adolfo de Bold.

During the past year, Dr. de Bold and his research team achieved their research objectives, and IDEA and Queen's are now negotiating with pharmaceutical firms to advance the commercialization of this significant technology by licensing the relevant patents.

■ **University of Western Ontario**—\$36,000 committed to Dr. R.J. Puddephatt's research into selective metal deposition for application to electronic circuit manufacturing.

Applications of this technology are currently in the patenting process and licensing opportunities are being explored.

■ **Ferritronics Limited**—IDEA's interest (totalling \$212,478) was subsequently offered to, and accepted by, another group of investors to make an equity injection under a plan of reorganization.

■ **RMS Industrial Controls Inc.**—A convertible loan of \$650,000 has been provided, with pre-emptive rights on future equity financing, to assist in new product design and business development for this

advanced radio communications company.

RMS has established an R&D facility in Mississauga, and has successfully launched new products, with innovative applications, using surface acoustic wave technology.

In addition, IDEA holds 150,000 shares of Synerlogic Inc. (reported last year under the company name, Bailey and Rose Ltd.), a company specializing in computer-assisted learning, software productivity tools and custom software. Synerlogic was in the investment portfolio of Ansam Synergistic Technologies Limited, a syndicated fund discussed in a subsequent section of this report.

Aiding commerce on campus: a \$3-million commitment

To help the commercial development of new technologies emerging from Ontario's university laboratories, IDEA has allocated \$3 million, over the next three years, to help the universities identify commercially significant research projects. In many cases, IDEA's financial assistance will be used to support the activities of an individual, employed on a staff or contract basis by the university, to search out new research developments with commercial potential.

At universities where such Commercial Development Officers already exist, IDEA's financial contributions may be used by the universities to enhance their budgets for commercializing research.

Promising new technologies,

"We finance technological innovations that will benefit industry, create new business opportunities and enhance employment."

uncovered through this program, will be presented to IDEA for investment consideration, and IDEA may choose to provide equity capital for the early stages of pre-commercial development.

Venture capital syndication: partnerships with investors

IDEA's second investment approach complements our early involvement in pre-commercial development financing.

IDEA is working closely with private investors in Ontario-based venture capital syndications that focus on the financing of technological innovation and technical entrepreneurs. In the past, there has been insufficient interface between the entrepreneurial sector and the large pools of institutionalized savings, such as pension funds, that have assumed such prominence in our financial system.

What is needed—and what has evolved in the United States—is a conduit to sort out pre-venture capital investment opportunities; assist in managing the early stages of their development; and structure attractive potential investment opportunities at later stages of their development. IDEA has created



Dr. Brian E. St. John
President

such a financial conduit in Canada through its Research Investment Fund and its active involvement in the formation of syndications that further finance projects generated through IDEA's technology funds. In other words, IDEA's Research Investment Fund operates as a "feeder fund" to a large and sophisticated pool of technology-focused venture capital.

Last year, we reported a conditional commitment of \$6 million to such a syndication, Ansam Synergetic Technologies Limited, subject to Ansam successfully raising \$8.4 million from other sources. As Ansam did not raise sufficient capital within the allotted time period, unexpended cash was repaid to IDEA, and shares in Ansam were exchanged for shares in Synerlogic Inc.

Since then, IDEA has made commitments to three new syndicated funds.

The first of these is Derlan Industries Limited, a company incorporated under the Ontario Business Corporations Act, that has raised \$27.5 million to invest in secondary manufacturing. Through two IDEA subsidiaries, IDEA has committed equity participation totalling \$7.125 million in Derlan.

At March 30, 1984, IDEA had disbursed the following funds to Derlan:

Preferred shares:	
IDEA Machinetech Fund—	71,250 shares (\$712,500)
IDEA Chemtech Fund—	71,250 shares (\$712,500)

The total commitment to Derlan, which may be required through March 31, 1987, is as follows: Number of preferred shares being subscribed:

Total (all investors)—	2,750,000 shares (\$27,500,000)
IDEA Machinetech Fund—	356,250 shares (\$3,562,500)
IDEA Chemtech Fund—	356,250 shares (\$ 3,562,500)

Some of the other major investors in Derlan Industries include: Air Canada Pension Investments, Bell Investment Management Corp., Confederation Life Insurance Company Limited, the Continental Bank of Canada, Crown Life, Guardian Insurance Company of Canada and Montreal Life Insurance Company, Northern Telecom Pension Trust Fund and TD Capital Group.

Derlan's chairman and chief executive officer is Dermot G. Coughlan. IDEA retains one seat

on the Board of Directors, and will work closely with Derlan in the further development of IDEA's early-stage investments in machinery and chemical/process technologies. In addition, IDEA will propose licensing opportunities that enhance the use of innovative technologies in Derlan's portfolio companies.

IDEA's participation in Derlan is a fresh approach, in the venture capital business, to the encouragement of innovation and is being tested as a method of introducing new product developments into industry. In particular, this syndicated fund will perform a complementary function to IDEA's role as a technology transfer and licensing broker.

In the spring of 1984, Derlan purchased the shares of C.J. Rush Limited, an Ontario company that designs and manufactures entrances to office, commercial and institutional buildings. Rush is a Canadian leader in custom-designed revolving and balanced doors and complete entrance systems.

In July 1984, Derlan purchased 75% of the shares of Carrier Technological Industries Ltd., a company with plants in Scarborough and Malton, Ontario. Carrier, through four divisions, provides a number of products and services, including electrical and electronic assembly for the high-tech business community, custom-coating of metals and other materials, distribution of automotive after-market products and maintenance and overhaul of parts for aircraft and ground support equipment.

In the case of both Rush and Carrier, the new capital, injected by

"Favorable capital markets are a stimulus to innovation and technological development."

Derian, will permit the companies to expand their markets and acquire new products and manufacturing technology.

The second syndication in which IDEA is investing is the Middlefield Capital Fund. Middlefield is an unincorporated investment trust created for the purpose of making venture capital investments in a broad range of information-related technologies, including microelectronics, telecommunications and manufacturing of industrial products.

Middlefield has exceeded its minimum capitalization hurdle of \$15 million, and is currently seeking additional investors to reach a full subscription of \$30 million in the fund.

Through the IDEA Infotech Fund, IDEA has committed up to \$10 million, or one-third of the potential total fund, subject to Middlefield successfully raising the balance of commitments from private investors.

The president of the Middlefield Capital Fund is Gordon Leonard. IDEA retains one seat on Middlefield's investment advisory committee. Other investors include: Barclay's Bank, Canadian Superior Oil, Confederation Life Insurance Company Limited, Gulf Canada Pension Fund, The Manufacturers Life Insurance Company, The Prudential Insurance Company of America and James Richardson & Sons Ltd. and Affiliate Companies Pension Fund.

The third syndication, which is not yet completed, is Cavendish Ventures Ontario, a limited partner-

**IDEA Corporation Investments and Commitments
at September 12, 1984 (stated in \$000s)**

 **IDEA Research
Investment Fund**

Commercial Development Officers Program	\$3,000.0
General Communion	30.0
Lakehead University (surgical device)	25.0
Ligna Technologies Ltd.	10.0
Neo-Visuals Inc.	36.0
Robinsky & Laing	750.0
Queen's University (Cardionatrin)	800.0
University of Western Ontario (Organogold)	36.0
TOTAL	\$4,687.0

 **IDEA
Infotech Fund**

Middlefield Capital Fund	\$10,000.0
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 **IDEA
Microtech Fund**

Cavendish Ventures Ontario (conditional commitment, agreement in principle)	\$15,000.0
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 **IDEA
Innovation Fund**

Genuine Plastic Products	\$ 200.0
MSC	175.0
RMS Industrial Controls Inc.	650.0
Synerlogic Inc.	225.0
Toronto Medical Corp.	480.0
TOTAL	\$1,730.0

 **IDEA
Machinetech Fund**

Derlan Industries Limited	\$3,562.5
— Portfolio investments:	
C.J. Rush Limited	
Carrier Technological Industries Ltd.	

 **IDEA
Chemtech Fund**

Derlan Industries Limited	\$3,562.5
— Portfolio investments:	
C.J. Rush Limited	
Carrier Technological Industries Ltd.	
TOTAL FOR ALL FUNDS	\$38,542.0

ship and potential \$60-million fund including a \$15-million conditional commitment from the IDEA Microtech Fund. IDEA's commitment is contingent on Cavendish raising a minimum of \$20 million from private sources. When fully subscribed, Cavendish would invest in new ventures related to the application of microelectronics technology.

What IDEA adds to these syndications, beyond capital resources,

is the technical, marketing and financial expertise of our staff who find and assess investment opportunities that benefit all the participants in the funds. We expect to create new investment opportunities through our early-stage investment

portfolio, and offer them to the syndicated funds after substantial risk has been removed.

We present "pre-screened" technology—through our extensive network of researchers, inventors, consultants and entrepreneurs, we receive proposals that signal important developments in many different areas of technology. Our professional staff then evaluates these projects and prepares them in a format that is better accepted in the investment community.

The third approach: licences for innovation

The growth of innovation will not be stimulated by financial assistance alone. In addition, transfer mechanisms are required to bring technological advances out of the laboratories and onto the production lines. Thus, we are developing a significant role in bringing technological innovations into productive industrial and commercial use through our technology transfer and licensing activities.

This aspect of our business is new and was initiated on a formal basis only recently. With a far-reaching network of contacts among researchers, entrepreneurs and industries, we are now beginning to monitor new technological developments that can be introduced to Ontario business through technology transfer processes.

Reaching out: improving public understanding

In conjunction with IDEA's investment and licensing activities, we have significant contributions to make in the areas of public policy advice and public education.

In particular, we are addressing the issues of appropriate education for the careers of the future, long-term employment prospects, investment incentives and funding of commercially oriented research.

In this capacity, IDEA has commissioned a number of special reports in the past year to examine some of the key issues relating to the commercial development of technological innovation.

The first of these was a survey of the medical research community that identified the rich variety of

such research in Ontario and the challenges to its commercial development. When the report was finished, the results were presented and discussed in a symposium, hosted by IDEA, involving interested individuals working in medical research, industry and government.

Two studies were commissioned to examine employment issues related to the advancement of technology. One was an econometric simulation of technology's impact on jobs. The second surveyed Ontario's primary technology-based companies to determine what their future job and skill requirements would be. Once again, the results of these studies were presented in a symposium of opinion leaders from all major sectors who discussed the long-term implications for job creation.

Subsequently, IDEA began to assemble a group of representatives from universities and industry who are interested in creating a consortium to examine job and skill requirements. The benefit of this ongoing association between business and academia would be up-to-date information on the long-term demand and supply of technical skills. In the coming year, IDEA will make a major effort to complete the membership in this consortium, and initiate the collection of relevant information.

"Ontario's innovators will play a key role in our future economic and employment prosperity."

In March 1984, another survey was commissioned to examine U.S. and Canadian pension funds and compare how much capital they are investing in new ventures. Results of this survey were analyzed and published in "Ideas on Innovation," one of IDEA's newsletters.

IDEA also made a submission to the federal (Wright) task force on technology.

Copies of all these studies are available on request.

Communicating IDEA to the public

IDEA's outreach programs are building a valuable network of people involved in innovation:

- IDEA staff delivered 23 speeches and presentations to a wide variety of groups.
- More than 70 articles on IDEA appeared in newspapers and magazines across Canada, the U.S., U.K. and France.
- "Ideas on Innovation", a newsletter dealing with public policy issues, was initiated, and five issues were distributed to a broad cross-section of opinion leaders.
- "The Innovators", a newsletter profiling the people behind the ideas in which IDEA is investing, was introduced and mailed to a wide variety of interest groups.
- Special promotional brochures were developed to stimulate interest among the research community and inventors.

- IDEA co-sponsored the 1984 Canadian venture capital conference.

Working with inventors: IDEA and the Innovation Centre

Most of our efforts, in searching out commercially viable new technologies, are in the universities, hospitals, government and corporate labs of Ontario. In the course of our activity, however, we have received many proposals from private inventors—proposals with possible commercial potential.

To help commercialize as many inventions as possible, we have completed an agreement with the Canadian Industrial Innovation Centre/Waterloo to collaborate in the evaluation of inventions.

Under the terms of agreement for this new program, inventors may apply to IDEA for funding of a detailed evaluation of their invention. This assessment includes a patent search, consultation with experts in the field of the invention and a comprehensive report outlining a recommended development plan.

In return for funding the evaluation, IDEA receives a right of first refusal on financing the commercial development of the invention.

IDEA's human resources: staffing reaches target

At March 31, 1984 there were 37 full-time employees of IDEA Corporation—close to the planned total complement of 40 to 50 employees. Subsequent to the year-end, L.R. Robinson was employed as a Vice-President to initiate and manage the corporation's technology transfer and licensing activities.

On behalf of the Board of Directors, we thank all our employees for their support and diligence in putting IDEA's plans into action in the past year.

H. Ian Macdonald
Chairman of the Board

Dr. Brian E. St. John
President

September 12, 1984

Consolidated Balance Sheet as at March 31, 1984

(with comparative figures as at March 31, 1983)

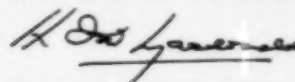
IDEA CORPORATION

(Incorporated without share capital under
the IDEA Corporation Act, 1981)

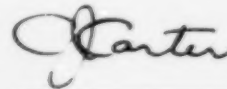
		1984	1983
Assets	Cash and short-term deposits	\$17,371,299	\$ 5,819,857
	Accounts receivable	1,373	1,287
	Due from the Province of Ontario (note 9)	20,000,000	5,000,000
	Interest receivable	2,522	—
	Recoverable advance (note 9)	718,457	—
	Loan receivable (note 5)	50,000	50,000
	Notes receivable (note 6)	250,000	—
	Investment (note 3)	1,431,246	—
	Prepaid expenses and deposits	44,406	149,777
	Fixed assets (note 7)	1,014,256	44,571
	Deferred organization expenses	—	21,888
	Total assets	\$40,883,559	\$11,087,380
Liabilities	Accounts payable and accrued liabilities	\$ 201,498	\$ 228,210
	Deferred Province of Ontario operating subsidy	1,358,888	859,170
		1,560,386	1,087,380
Equity	Contributed capital from the Province of Ontario (note 9)	40,000,000	10,000,000
	Deficit	676,827	—
		39,323,173	10,000,000
	Total liabilities and equity	\$40,883,559	\$11,087,380

Commitments (notes 6 and 8) See accompanying notes to financial statements.

Approved on behalf of the Corporation:



Chairman



Director

To the IDEA Corporation and
to the Minister of Industry and Trade.

I have examined the consolidated balance sheet of IDEA Corporation as at March 31, 1984 and the consolidated statements of operations and changes in cash position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion these consolidated financial statements present fairly the financial position of the Corporation as at March 31, 1984 and the results of its operations and the changes in its cash position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding period.

A report on the audit has been made to the Corporation and, in accordance with section 17 of The IDEA Corporation Act, 1981, to the Minister of Industry and Trade.



Toronto, Ontario,
July 24, 1984

D.F. Archer, F.C.A.,
Provincial Auditor

Consolidated Statement of Operations for the year ended March 31, 1984

(with comparative figures for 1983)

	1984	1983
Interest income	\$ 147,552	\$ 11,042
Expenses		
Salaries and employee costs	1,739,233	477,933
Consulting and legal fees	288,529	140,990
Premises	455,830	44,830
Communications and public relations	166,503	46,559
Policy analysis	40,525	—
Directors' fees and other expenses	27,710	28,354
Rental of equipment	25,916	32,375
Depreciation	156,712	3,992
General administration	387,298	76,839
Research and development projects funded	126,542	—
Loss on investments (note 4)	509,862	—
	3,924,660	851,872
Loss from operations	3,777,108	840,830
Province of Ontario operating subsidy	3,100,281	840,830
Loss and deficit for the year	\$ 676,827	—

See accompanying notes to financial statements.

Consolidated Statement of Changes in Cash Position for the year ended March 31, 1984

(with comparative figures for 1983)

	1984	1983
Source of Cash		
Increase in contributed capital	\$30,000,000	\$10,000,000
Province of Ontario operating subsidy	3,600,000	1,700,000
Less: Loss from operations	3,777,108	840,830
Add: Depreciation	156,712	3,992
Provided from (used in) operations	(20,396)	863,162
Decrease (increase) in other assets	124,651	(172,952)
	30,104,255	10,690,210
Use of Cash		
Increase (decrease):		
Due from Province of Ontario	15,000,000	5,000,000
Recoverable advance	718,457	—
Loan receivable	—	50,000
Notes receivable	250,000	—
Investments	1,431,246	—
Additions to fixed assets	1,126,398	48,563
Decrease (increase) in accounts payable and accrued liabilities	26,712	(228,210)
	18,552,813	4,870,353
Net increase in cash	11,551,442	5,819,857
Cash and short-term deposits, beginning	5,819,857	—
Cash and short-term deposits, ending	\$17,371,299	\$ 5,819,857

See accompanying notes to financial statements.

Notes to Consolidated Financial Statements

March 31, 1984

1. Significant Accounting Policies

These consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Canada and reflect the following policies:

(a) Consolidation

The consolidated financial statements include the accounts of the Corporation and its wholly owned subsidiaries. The operating results of all subsidiaries are included in the consolidated financial statements from the dates of their incorporation.

(b) Investment in shares

Investments are recorded at cost. Cost includes the funded amount and any direct expenses, including legal costs. Investments will be written down when, in the opinion of management, there has been a permanent impairment in the value of the investments. The amount of any permanent impairment will be determined by management and may require, due to the early-stage nature of the investments, subjective judgment.

(c) Investments in research projects

Investments in research projects are charged to operations as funded unless the research project meets generally accepted accounting criteria for deferral and amortization. In the opinion of management, the research projects funded to date have not met all the criteria for deferral and amortization. Therefore, all fundings have been expensed as incurred.

(d) Fixed assets and depreciation

Fixed assets are stated at acquisition cost. Depreciation is provided on the diminishing balance method at rates of 20 per cent for office furniture and fixtures and computer equipment and 30 per cent for office equipment. Leasehold improvements are amortized on a straight-line basis over the term of the lease.

(e) Subsidies

Subsidies from the Province of Ontario in excess of operating losses of the parent company for the period, are deferred and amortized against operating losses as incurred by the parent company.

(f) Income taxes

The Corporation (and its wholly owned subsidiaries), as a Provincial Crown Corporation, is not subject to income tax.

2. Contributed Capital from the Province of Ontario

Operating and investment funds are paid out of moneys appropriated therefor by the Ontario Legislature. The Province of Ontario has committed funds to flow approximately as follows:

(in \$ millions)

1982/83	1983/84	1984/85	1985/86	1986/87	Total
11.7	35.0	30.4	21.5	8.4	107.0

Actual funds contributed were \$11.7 million in 1982-83 and \$33.6 million in 1983-84. (See note 9)

3. Investment

Two subsidiaries have an equity participation of approximately 28 per cent, subject to some dilution depending upon profitability, in the shares of a syndicated investment company, formed to invest in the industrial sector.

4. Loss on Investments

During the year a subsidiary invested in, and subsequently wrote off, \$212,478 related to an investment in a company. The shares in the investee were cancelled for no consideration to permit another group of investors to make an equity injection under a plan of reorganization in which the subsidiary declined participation.

The remainder of the loss is the pro-rata share of another subsidiary in the start-up costs of a Fund. The subsidiary committed to be the lead investor in the creation of a syndicated venture capital fund, subject to a minimum subscription of units from other participants. As this minimum subscription was not attained, the syndication efforts were discontinued.

5. Loan Receivable

The loan receivable is due to a subsidiary and is secured by a first floating debenture on all of the assets of an investee company, and pays interest monthly at the bank prime rate. The principal amount of the loan is due July 1, 1985; the subsidiary has the option, exercisable until June 30, 1985 to convert the loan into 12.5 per cent of the common shares of the company. The subsidiary also has an option, exercisable until June 30, 1985, to purchase an additional 37.5 per cent of the common shares of the investee company for \$150,000.

6. Notes Receivable and Commitment

The notes receivable are due to a subsidiary and are secured by a fixed charge on the technology developed by an investee company and bear interest at $\frac{3}{4}$ of 1 per cent above the bank prime rate. The subsidiary is committed to loan a further \$400,000 to the investee if and when certain conditions are met. The principal amount of the loan is due December 1, 1984. The subsidiary has a right of first refusal on future financing.

7. Fixed Assets

Fixed assets and related accumulated depreciation and amortization are classified as follows:

	1984		1983	
	Cost	Accumulated Depreciation/ Amortization	Net	Net
Furniture and fixtures	\$ 422,275	\$ 61,868	\$ 360,407	\$ 238
Office equipment	352,647	57,442	295,205	44,333
Leasehold improvements	393,769	35,125	358,644	—
	\$1,168,691	\$154,435	\$1,014,256	\$44,571

8. Commitments

(a) Leasehold obligations

The Corporation is committed to payments, under operating leases, for approximately \$6,200,000. The minimum annual rental payments over each of the next five years are as follows:

1984-85	\$607,000
1985-86	624,000
1986-87	673,000
1987-88	700,000
1988-89	807,000

(b) Research fundings

A subsidiary is committed to fund an additional \$601,200 as required, up to August 1985, in a research project in which the subsidiary has a 50 per cent participation in the income generated on commercialization. The total commitment to the project is \$673,700, of which \$72,500 has been funded.

(c) Investment funding

Two subsidiaries are committed to fund a combined additional \$5.7 million, as required, up to March 31, 1987.

9. Subsequent Events

(a) Contributed capital

Subsequent to March 31, 1984, the Corporation received \$20.0 million in investment funds which are reflected as due from the Province of Ontario at March 31, 1984. These funds were invested in shares of wholly owned subsidiaries.

(b) Recoverable advance

Approximately \$500,000 was received in June 1984 in partial payment of the recoverable advance. The remaining amount has been satisfied by the receipt of approximately 5 per cent of the common shares of a software company.

10. Comparative Figures

The comparative figures include the operations of the Corporation and the only transactions, a loan advance in the amount of \$50,000 and deferred organization expenses, incurred by subsidiaries prior to March 31, 1983. The operations of subsidiaries did not commence until April 1983.

Board of directors**▼ H. Ian Macdonald**

Chairman
IDEA Corporation, Toronto

▼ Dr. Brian E. St. John

President
IDEA Corporation, Toronto

■ Rodrigue J. Bilodeau

Chairman and Chief Executive Officer
Honeywell Limited, Willowdale

▼ D. Antony Brebner

Partner
Laketon Investment Management,
Toronto

● Charles J. Carter

Chairman and President
Great Lakes Forest Products Limited,
Thunder Bay

▼ Dr. Gail C.A. Cook

Executive Vice-President
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Desmond Cunningham
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▼ George S. MacDonell

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Dr. Peter Morand

Director, Research Services
University of Ottawa, Ottawa

■ William Reno

Director of Research and Education
United Food and Commercial Workers
Ontario Retail Council, Don Mills

● Eleanor Ryan

Former Vice-President
Ontario Federation of Labour,
Ottawa

■ Douglas L. Sedgwick

Vice-President, Planning
Magna International Inc., Toronto

■ Dr. Gordon R. Slemmon

Dean
Faculty of Applied Science
and Engineering
University of Toronto, Toronto

● Audit committee**■ Compensation committee****▼ Executive committee**

Corporate management

H. Ian Macdonald
Chairman of the Board

Dr. Brian E. St. John
President

Loren J. Chudy
Vice-President, Corporate Affairs

Dr. Ignace Krizancic
Vice-President, Technology

George A. Lyn
Vice-President, Finance

Larry Robinson
Vice-President, Technology Transfer
and Licensing

Barry Z. Schacter
Vice-President, Marketing

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